

FISCAL NOTE

HB 606 - SB 904

February 26, 2001

SUMMARY OF BILL:

- Exempts from state and local sales tax *personal computers* purchased by an individual for non-business use. The exemption does not include computer leasing, rental, repair or alteration and would be for a period of two weeks as follows: August 6, 2001 through August 13, 2001; February 18, 2002 through February 25, 2002
- Defines *personal computer* as a laptop, desktop, or tower computer system, including all computer hardware and software sold together in the same sale at retail, where the computer includes, at a minimum, a central processing unit, random access memory, a storage drive, a display monitor and a keyboard. The term shall not include; minicomputers, mainframe computers, network servers, local area network hubs, routers and cabling, hardware word processors, personal digital assistants, graphical calculators, hand-held computers, game consoles, Internet television devices, network operating systems, multiple-user licensed software and hardware, separate sales at retail or use of internal or external components and separate sales of add-on components.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - Exceeds \$4,000,000 One-Time

Decrease Local Govt. Revenues - Exceeds \$1,500,000 One-Time

Estimate assumes:

- According to the 1997 economic census, personal computer sales account for 2.3% of all retail sales.
- Approximately 38% of such sales are to businesses.
- Vendors would take advantage of the exemption and promote sales heavily.
- Some consumers would purchase items that they may have delayed, since they could avoid the tax.
- A sales tax rate of 8.25% - 6.00% is state sales tax and 2.25% is local sales tax.
- Normal sales tax collections attributable to sales of personal computers of \$114,567,600 ($\$4,981,200,000 \times 2.3\% = \$114,567,600$).
- Sales Tax Collections Not Attributed To Business = \$71,031,912, ($\$114,567,600 \times 62\%$).
- Daily non-business sales tax collections of \$197,310 attributable to personal computers, ($\$71,031,912 \times 1/360$).
- A decrease in sales tax collections of \$295,965 per day resulting from at least a 50% increase in purchases over the 14-day period.
- A decrease in state sales tax collections of approximately \$4,143,510 from exempting the sales of personal computers from state sales tax for the 14-day period. A decrease in local sales tax collections of approximately \$1,553,816.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

HB 606 - SB 904